

# HOUSE BILL REPORT

## HB 2775

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**As Reported by House Committee On:**  
Technology, Energy & Communications

**Title:** An act relating to the creation of the Washington bioenergy loan program.

**Brief Description:** Creating the Washington bioenergy loan program.

**Sponsors:** Representatives P. Sullivan, Holmquist, Morris, Kilmer, Green, Sells, Kenney, McCoy, Wallace, Springer, Ormsby, Moeller, Morrell, Linville and Hudgins; by request of Governor Gregoire.

**Brief History:**

**Committee Activity:**

Technology, Energy & Communications: 1/17/06, 1/26/06 [DP].

### Brief Summary of Bill

- Establishes a Bioenergy Loan Program within the Department of Community, Trade and Economic Development (Department).
- Authorizes the Director of the Department to approve loans for energy-related projects that meet certain criteria.
- Creates the Bioenergy Loan Account within the state treasury.

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## HOUSE COMMITTEE ON TECHNOLOGY, ENERGY & COMMUNICATIONS

**Majority Report:** Do pass. Signed by 12 members: Representatives Morris, Chair; Kilmer, Vice Chair; Crouse, Ranking Minority Member; Haler, Assistant Ranking Minority Member; Ericks, Hankins, Hudgins, Nixon, P. Sullivan, Sump, Takko and Wallace.

**Staff:** Kara Durbin (786-7133).

**Background:**

Oil production and consumption in the United States:

According to the Energy Information Administration (EIA), in 2002 the United States consumed 19.656 million barrels of petroleum (crude oil and petroleum products) per day, or about one-quarter of total world oil production. More than half (62 percent) was imported oil. The EIA has projected that by 2025, total petroleum consumption in the United States will be approximately 28.3 million barrels per day.

While consumption of petroleum in the United States is increasing, oil production has been decreasing steadily since 1970. According to the EIA Annual Energy Outlook for 2004, United States petroleum production is expected to decrease slightly from 9.2 million barrels per day in 2002 to 8.6 million barrels per day by 2025, while consumption is expected to rise from 19.6 barrels per day in 2002 to 28.3 million per day by 2024, which represents approximately a 44 percent increase in consumption.

State Loan Programs for Renewable Energy:

According to a study conducted by the National Renewable Energy Laboratory, there are at least 22 active loan programs in 19 states that provide low-cost financing for renewables. Funding for loan programs in these states varies. Some programs are funded by revolving loan funds, while others are funded through annual appropriations, the sale of bonds, or air-quality noncompliance penalty fees. More recently established programs such as those in New York, Ohio, and Wisconsin are funded by a system benefits charge. Total funding for state loan programs varies as well, with some programs operating with as little as \$200,000 per year, while others lend up to \$200 million per year.

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**Summary of Bill:**

A Bioenergy Loan Program is established within the Department of Community, Trade and Economic Development (Department).

The director of the Department may only approve a loan for a project that meets all of the following criteria:

- converts farm products or wastes directly into electricity or into gaseous or liquid fuels;
- demonstrates technical feasibility and probable business success;
- results in new jobs, job retention, or higher incomes for the citizens of the state;
- does not require continuing state support; and
- is accompanied by private investment.

The director is authorized to approve an application for a loan in an amount of up to \$5 million. The director must fix the terms and rates of the loans to minimize the costs to the borrower. The interest rates for the loans must be 1 percent below the prime interest rate offered by private lending institutions. A loan may be deferred, at the discretion of the director, for up to 12 months or until the project starts to receive revenue from operations, whichever is sooner.

The director may establish policies and procedures as necessary in order to process, review, and approve loan applications. The director must consult with those agencies having expertise in this area, including Washington State University, the University of Washington, the Department of Ecology, the Department of Agriculture, and the Washington State Conservation Commission.

The Washington Bioenergy Loan Account (Account) is created in the state treasury. Receipts from appropriations made to the Account, as well as loan payments of principal and interest from loans made under this Act, must be deposited in the Account. Moneys in the Account can only be spent after appropriation. Administrative costs of the Department may not exceed 3 percent of the annual funds available for this program.

The director shall report to the Governor and to the Legislature on the status of the Washington Bioenergy Loan Program by December 1, 2006; December 1, 2007; and December 1, 2009.

Financial and commercial information supplied by applicants in their loan application to the Bioenergy Loan Program is exempt from public disclosure.

This bill expires on June 30, 2016. Any moneys remaining in the Bioenergy Loan Account on that date will revert to the State General Fund.

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**Appropriation:** None.

**Fiscal Note:** Requested on January 16, 2006.

**Effective Date:** The bill takes effect on July 1, 2006.

**Testimony For:** The Energy Freedom Program is timely. Our state's energy supply is in flux; prices will only continue to go up. There needs to be research funds to explore alternative energy sources. We need to subsidize all forms of energy. These loan programs will encourage the development of these alternative energy industries in the state. All of these biofuel bills have common goals: energy independence; growing and diversifying a rural economy; keeping economic benefits in the state. This loan program will help fund the crushing infrastructure for biodiesel, and encourage this industry while it is still in its infancy. Farmers need access to capital to purchase crushers. We would like to see this program expanded so that other public agencies can apply.

**Testimony Against:** None.

**Persons Testifying:** Representative Janea Holmquist; John Plaza, Seattle Biofuels; Tim King, Carbon Technology Center, Energy Recovery Group; Dan Lambert, Agriculture and Rural Caucus; Matt Steuerwalt, Governor's Office; Gary Trautman, Technical Holdings; Jeff Stephens, Washington Biodiesel; Jay Gordon, Washington State Dairy Federation; and John Stuhlmiller, Washington Farm Bureau.

**Persons Signed In To Testify But Not Testifying:** None.